

## Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05

RSC-01 CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 L-02 H-01 PA-01 PRS-01 USIA-06 /082 W

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R 191410Z NOV 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8270

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

PASS TREASURY FOR WIDMAN, PASS FRB

1. SUMMARY. BALANCE OF PAYMENTS FOR OCTOBER REGISTERED  
DEFICIT OF \$544 MILLION, RESULTING IN CUMULATIVE  
ADJUSTED DEFICIT FOR TEN-MONTH PERIOD OF \$6,955 MILLION.  
OCTOBER DEFICIT FOLLOWED ADJUSTED SEPTEMBER DEFICIT  
OF \$94 MILLION AND ADJUSTED AUGUST SURPLUS OF \$66  
MILLION. BANK OF ITALY INTERVENTION THROUGH NOVEMBER  
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18 HAS BEEN RATHER LARGE AND SEEMS TO REFLECT

STRENGTHENING OF DM AND ITALIAN POLITICAL CRISIS.  
WEIGHTED AVERAGE DEVALUATION OF LIRA BETWEEN OCTOBER 1  
AND NOVEMBER 18 WAS 2.84 PERCENT ACCORDING TO BOI INDEX.  
END SUMMARY.

2. MONETARY MOVEMENTS DATA FOR OCTOBER SHOW DEFICIT  
OF \$544 MILLION. MAIN DEVELOPMENTS DURING PERIOD WERE  
DECREASE IN COVERTIBLE CURRENCY HOLDINGS BY \$706  
MILLION AND REPAYMENTS OF \$127 MILLION BY COMMERCIAL  
BANKS ON THEIR NET FOREIGN LIABILITIES. BOI SHORT-  
TERM LIABILITIES DECREASED BY \$32 MILLION, BOI MEDIUM-  
AND LONG-TERM LIABILITIES DECREASED BY 2 MILLION AND  
BOI SDR HOLDINGS INCREASED BY \$1 MILLION.

3. RECORDED CUMULATIVE DEFICIT FOR TEN-MONTH PERIOD  
FROM JANUARY THROUGH OCTOBER WAS \$4,835 MILLION AND  
ADJUSTED CUMULATIVE DEFICIT (INCLUDING EUROMARKET  
BORROWINGS OF \$2,150 MILLION LESS \$30 MILLION BNL  
REPAYMENT) WAS \$6,955 MILLION. DEFICIT HAS  
BEEN FINANCED BY INCREASE IN BOI FOREIGN EXCHANGE  
ASSETS OF \$1,065 MILLION, REDUCTION OF SDR HOLDINGS  
OF \$188 MILLION, DECREASE IN NET IMF POSITION BY \$359  
MILLION AS RESULT OF DRAWING-DOWN OF SUPER GOLD TRANCHE,  
REDUCTION IN BOI SHORT-TERM LIABILITIES BY \$354 MILLION,  
INCREASE IN MEDIUM-AND LONG-TERM LIABILITIES OF  
\$5,073 MILLION (INCLUDING EC CREDIT, GERMAN GOLD  
COLLATERAL LOAN, IMF STANDBY LIABILITIES AND IMF OIL  
FACILITY DRAWING), AND NET SHORT-TERM BORROWINGS OF  
COMMERCIAL BANKS OF \$634. MILLION.

4. NET MARKET INTERVENTION IN OCTOBER WAS \$639 MILLION.  
HOWEVER, BEGINNING NOVEMBER 8 AND ESPECIALLY FOLLOWING  
WEST GERMAN CHANCELLOR SCHMIDT'S INDICATION THAT HE  
WOULD NOT OPPOSE UPWARD MOVEMENT OF DM, INTERVENTION  
HAS BEEN IN RANGE \$40-75 MILLION DAILY, ACCORDING TO  
BOI CENTRAL DIRECTOR ERCOLANI. ON NOVEMBER 15 AND 18,  
ALONE, INTERVENTION WAS \$75 MILLION AND \$60 MILLION  
RESPECTIVELY. ERCOLANI ALSO BELIEVED THAT ITALIAN  
COMMERCIAL BANKS HAVE STABILIZED LEVEL OF THEIR SHORT-  
TERM FOREIGN DEBT.  
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5. ACCORDING TO BOI INDEX, WEIGHTED AVERAGE  
DEVALUATION OF LIRA BETWEEN OCTOBER 1 AND 31 WAS 8.85  
PERCENT AND BETWEEN NOVEMBER 1 AND NOVEMBER 18 WAS 0.99  
PERCENT.

6. ON NOVEMBER 18, LIRA EXCHANGE RATE WAS 663.95 LIRE  
PER DOLLAR. THREE-MONTH FORWARD RATE WAS 679.95. AND

WEIGHTED AVERAGE DEVALUATION OF LIRE, ACCORDING TO  
BOI INDEX, WAS RECORD LOW OF 21.61 PERCENT. ON SAME  
DATE, THREE-MONTH EUROLIRA INTEREST RATE WAS 19-1/2  
PERCENT. FORTY-EIGHT HOUR AND THREE-MONTH LIRA  
INTERBANK INTEREST RATES WERE NOT AVAILABLE ON  
NOVEMBER 18. VOLPE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
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**Disposition Approved on Date:**  
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**TAGS:** EFIN, IT  
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